

(BY W.E. CROWE, 2/9/60)

Although the Australian economy is immature in comparison with those of many other countries, nevertheless the degree of monopoly - or concentration of economic power - is one of the greatest in the world.

Australia has a "mixed" (or semi-planned) economy, the Government influence being exerted directly through publicly owned and operated undertakings (e.g. postal and tele-communications, railways, shipping, airways, electricity and gas supply) and also indirectly through policy (e.g. public works, credit, taxation, foreign exchange).

A monopoly may be defined as a condition where a producer has control over the supply of a commodity or service for which there is no close substitute.

#### Different types of monopoly

- (1) Natural monopolies, arising from the ownership of limited supplies of goods in their natural state, e.g. iron ore, uranium, bauxite, copper.
- (2) State granted monopolies. These may take the form of patent rights, copyright, trade marks etc.
- (3) Public utilities. These monopolies are a necessary condition for full economic efficiency, e.g. water supply, electricity, gas, tramways, postal services. In such cases the State takes responsibility for a single direction either operating the service itself, (e.g. transport) or granting sole privilege to a limited number of business concerns reserving the right (e.g. toll roads, bridges, ferries).
- (4) Monopolies that are themselves the result of efficiency, e.g. B.H.P. Co. (Australia's steel-maker).
- (5) Monopolies that are the result of industrial combination brought about to eliminate competition, but not necessarily for the purposes of efficiency (e.g. this describes the bulk of Australia's monopolies.)

#### Forms of Monopoly Structure.

Monopoly may take many forms such as -

- (1) Agreement to fix prices.
- (2) Division of the market.
- (3) Cartels - price fixing and sales agreements.
- (4) Trusts - (e.g. the Rockefeller Standard Oil Trust of America).
- (5) Mergers.
- (6) Holding Companies - which hold a major proportion of shares in other countries.
- (7) Trade Associations - impose conditions on member firms re e.g. common prices. (Fuel and Ice merchants, Dry Cleaners).

#### Degree of Monopoly

In evidence presented to the Commonwealth Arbitration Court in 1946 in connection with the 40 hour week case, internationally known economist and statistician Colin Clark (then Director, Bureau of Industry, Queensland) showed that over one-third of all Australia's production came under some form of monopoly control.



The Commonwealth Treasurer (Mr. Harold Holt) has said on different occasions recently that monopoly has not reached serious proportions in Australia because the bulk of all factory workers are employed in small factories employing less than 100 persons.

A U.S. Judge (Judge Barnes) after a short visit to Australia in 1959 made a similar statement.

What is the truth? This will be discovered only by examining who owns the factories.

In the first place whilst it is true that some 80% of all factories are classified as small (they employ on average less than 50 persons), the remaining 20% of factories employ 80% of all factory workers.

Second, we will find the answer not in the number of factories, but in the number of firms and in the control of them, e.g. the business firm Broken Hill Proprietary Co. Ltd. controls the policies of all the major Newcastle and Port Kembla iron and steel factories - Commonwealth Steel, Lysaghts, Rylands, Australian Iron and Steel etc. Felt and Textiles Ltd. has over 100 subsidiary companies.

In the only comprehensive study of the economic concentration in Australia, E.L. Wheelwright, (Senior Lecturer in Economics, University of Sydney) shows in his book "The Ownership and Control of Australian Companies" that

1 firm dominates the whole of the steel industry  
1 firm dominates the whole of the glass industry  
1 firm dominates 70 per cent of the paper making industry  
1 firm dominates 50 per cent of the rubber industry.

In some key <sup>basic</sup> firms of production, the large firm affects prices instead of being affected by them as under competition. In other words, key firms fix their own prices regardless of competition.

Wheelwright examined the shareholdings of companies.

Of 100 of Australia's greatest companies, involving 457 million shares, held in 490,000 holdings, only 2,000 holdings (or 0.5%) held 37% of the shares.

Of this 37%, two thirds were held by companies and one third by persons.

Some 50% of all shares in domestic companies were held by companies.

Of the personal holdings of the other 50% of shares, 0.25% held 25% of the shares.

"The small numbers of large holders, both corporate and personal, are in a key position as far as the control of these companies is concerned."

On actual control, 10-15% of voting shares can exercise control.

In 90% of all cases, Ownership and Control have been separated.

Power is concentrated "into a small directing group of virtually self-perpetuating oligarchies".

In Primary Production monopolistic control of land is increasing. Since 1939 whilst the total area of privately owned lands has increased by 7%, the number of private holdings has fallen by 2%. Thus the average size of holdings has increased by 9%.

In Finance, concentrated control has increased tremendously.

Banks:- Since 1946 the number of private trading banks has fallen from 9 to 7 following the amalgamation of the Queensland National Bank and the National Bank of Australasia, and, of the Union Bank of Australia with the Bank of Australasia the amalgamated banks now being known as the A.M.Z. Bank.

(Bank amalgamations have been proceeding throughout the whole of this century.)



Hire Purchase Finance Companies- Each of our privately owned Trading Banks has a well known Hire Purchase Subsidiary, usually holding <sup>State</sup> 40 per cent of the ordinary share capital in the subsidiary.

Capital raising institutions. Various so-called <sup>State</sup> Unit and Land Trusts, Capital and Income Funds, Finance Corporations etc. are controlled by such as well-known Stockbroking firms and Real Estate firms.

These invest the public's savings in well-known public companies (Land Trusts acquire industrial, residential, rural properties) and influence the trend of economic development.

The "Take-over" wave.

The University of Sydney's "Current Affairs Bulletin" of 18/4/60 discussed fully Company "Take-overs, which it described as "the latest of the conjuring tricks of the financial world". 1959 is described by the "C.A.B." as the most active year for take-overs in our history. It is estimated that at least 75 public companies were absorbed in 1959.

"Take-overs" are made possible by the exchange of shares in limited liability companies. It is a most interesting procedure, which benefits shareholders in both the company taken over and the company taking over. The classic case is the recent one of L.J. Hooker Corporation's acquiring the £5 million pastoral estates of J.L. Buckland. This did not cost Hooker a Id., whilst Buckland will finish up paying Hooker £2 million in cash. Yet both gain handsomely!

Since 1946 most "Take-overs in Australia have been of the horizontal type: that is the absorption of companies producing goods or services at the same level of production; and therefore they were competitors. (E.G.) Federal Hotels acquisition of other leading hotels; National Radiator Company's acquisition of Sydney based motor radiator company - F.A. Muller Ltd., Woolworths and Coles competing for another chain store Matthews Thompson.

Much more could be said about the extent of monopoly in Australia, but, in a final answer to Mr. Holt's claim that monopoly is not of serious proportions in Australia, it should be sufficient to point out that Mr. Holt's own Government early this year promised to bring down anti-monopoly legislation in the August 1960 Budget Session of Parliament.

The Government indicated that it was most concerned with the growth of monopoly organizations, and restrictive practices. Other countries have this sort of legislation e.g. (1) U.K. - The Restrictive Practices Court, where parties to restrictive practices must seek to have them registered, showing that such practices are not opposed to the public interest; (2) The U.S.A. since 1890 (The Sherman Act) has legislated against monopoly.

In Australia, until this year it was held that the Commonwealth had no constitutional powers to legislate against monopoly; the Attorney-General's answer to this in the promised legislation is awaited with interest. Ultimately it may be the High Court or the Privy Council which will be asked to decide whether the Commonwealth has powers to control monopoly. Meanwhile only the States are held to possess anti-monopoly powers in respect of activities being carried on within the State, and these are not effectively used. (A recent attempt was the West Australian Anti - profiteering Act which has made some prosecution ).

Monopoly - Good or bad? <sup>(Shudden Group)</sup>

The test as to whether monopoly is a good thing or not should be sought in terms of Christian principles.

At the outset of any appraisal of the present Social Order we should appreciate the situation in which we Christians find ourselves when we relate Christianity to economics. This may be seen in the following quotation from Reckitt ("Failure of Individualism", Devane, p.241):



"If you told any typical Christian thinker in any century from the twelfth to the sixteenth that religion had nothing to do with economics he would either have trembled for your faith or feared for your reason. He would have regarded you, in short, as either a heretic or a lunatic."

Today, anyone who places economics against the background of Christian principles is regarded by the world as a lunatic.

### Christian Principles

To evaluate a Social Order we must rely on Christian principles.

As Christians, basically we stand for:

- \* Respect for Personality (and personal responsibility).
- \* Widespread property ownership and control.
- \* The Principle of Subsidiarity (i.e., where larger bodies are not entitled to carry out functions that can be performed as well or better by smaller groups).

To reach these goals, we need to possess the key of property, the essential nature of which has been given us by St. Thomas Aquinas and recent Popes.

Our overall economic objective should be to restore effective ownership and control of productive property to the people - a people who know not such a system because they have been born and bred, as were their ancestors, in a society of wage and salary earners.

Australia today, in its search for greater equality in property and income, is undergoing the experience of history - the struggle for property ownership and control.

To appreciate the fundamental importance of Property we must consider St. Thomas Aquinas -

Explaining the intimate relationship between Man and Property, St. Thomas says -

"A subsequent right which springs from human nature is . . . the right of an individual to appropriate himself the things of the Earth."

St. Thomas went on to explain that the right to use and enjoy the things of the Earth is God's common gift to mankind and "nothing can destroy this right which is a primary law of nature".

We should note carefully that access to Property is a common right to all men, not to some individuals or nations.

The present day Social Order in Australia is a descendant of that which sprang from 16th-19th century England, but one which has been ameliorated to some extent by the influence of Christian principles.

### Decentralisation

For Australians, Property assumes a special importance because of the growing national consciousness of the necessity for Decentralisation. Decentralisation provides scope for Working Proprietorship, Co-operation, and Government function based on natural law in the Commonwealth, State, Municipal spheres.

In this we follow in the great tradition of the Church. I quote the former Apostolic Delegate (Most Rev. Romolo Carboni) in his address to the Christian Social Week, 1956:



"The Church has always favoured decentralisation of industry, economic life, Government, political and social institutions".

Decentralisation, we believe, must be the framework in which any realistic national policy must be set - development, defence, migration, greater equality of property and income.

The importance of Property in any effective system of Decentralisation may be understood in St. Thomas' simple approach -

- (1) Every man is more careful of what is his alone;
- (2) Human affairs are conducted in a more orderly fashion when individual responsibility obtains;
- (3) Peace results when each man is content with his own possessions.

It is a matter of regret that Principle is so far removed from practice in Australia's present Social Order: Concentration not Decentralisation is the rule.

Let us define Decentralisation in order to appreciate the distinction:

"Decentralisation means more than the disposition of our economic resources. In its full sense Decentralisation means a Society in which man is enabled to provide for his spiritual, cultural, economic, political and social needs; and, in which he can develop and safeguard his country as a free Christian nation."

The material characteristics of such a Society would include the balanced distribution of population, of industry, and of social, political and administrative institutions throughout the country in accordance with the pattern of resources, with Working Proprietorship and Co-operation the norm of economic ownership and control.

As we have seen, the very opposite of this right socio-economic Order is the rule in Australia today.

The Role of Government. Is the remedy to be found in more Government intervention in industry?

The 1948 Social Justice Statement of the Australian Hierarchy provides us with a set of principles.

1. While the nationalisation of certain industries may be justified under certain conditions, it is quite clear that the nationalisation of ALL the means of production is absolutely wrong in principle and cannot be held by Catholics. It is equally wrong whether its achievement is proposed by peaceful or by violent means, whether it is to be achieved piecemeal or at one stage.
2. A system which, while avoiding complete nationalisation, extends public ownership far beyond what is required by the common good, is opposed to Christian teaching.
3. The Church recognises that, under present conditions, there are certain forms of enterprise and industry which are of quite extraordinary importance to the community, and which may legitimately come under public control in one form or another, although not necessarily by means of nationalisation.

Among these are banking and insurance, the manufacture of steel and heavy chemicals; rail, sea and air transport; public utility services (electricity gas, tramways); armaments. The public utility services and a section of the transport industry are already generally under some form of public control in Australia, whether operated by Federal, State or by municipal bodies. The other industries are, at the moment, generally owned and operated by great private corporations.



4. Among the industries which should be publicly controlled there are some which may legitimately be nationalised. In the words of the present Holy Father, "these are the cases in which it is evident that (nationalisation) is really required by the common good - that is to say that when it is apparent that it is the ONLY method which will effectively remedy an abuse or avoid a wastage of the productive resources of the country; and which will ensure the organic development of these very resources, and which will direct them so as to benefit the economic interests of the nation ....."

e.g. Victoria's gas industry which was brought under public control 10 years ago because private enterprise had stated it was unable to meet the State's expanding demand.

Observing these principles it would be advisable for the Commonwealth Government to be given constitutional power and to legislate to protect society against monopoly, to give positive aid towards assisting the organisation of industry on sound lines and promoting healthy competition. A policy along these lines is suggested:

1. Recognition of the natural economic conditions favoring (a) the small, (b) the medium, (c) the large unit.
2. Review the Limited Liability principle insofar as it enables the large unit to flourish at the expense of the medium and small unit (e.g., Corporation may hold shares but not having vote in another company).
3. Measures to provide for self-government of industry.
4. National economic policy promoting balance between primary, secondary, tertiary industry.
5. Effective control over monopoly.
6. Credit, Taxation, Tariff policies.
7. Promotion of Co-operatives - credit, production, consumption.
8. The payment of a just Family Wage which provides a margin for saving and hence the opportunity for a man to set up his own business.

I should like to make special reference to (2) above - Review of the Limited Liability Principle.

The basis of modern corporate organization, which in turn is the keystone of monopoly, is the Limited Liability principle; in particular that application of it that enables corporations to hold shares in one another.

Wheelwright (referred to above) gives details of inter-corporation shareholdings in Australia, from which it is plain that the whole structure stands or falls as an entity.

Now, if it were made illegal for one Corporation to hold shares in another Corporation a direct blow would be struck against the whole edifice, and, simultaneously steps should be taken to replace it with a sound socio-economic system. This was a ruling given by the U.S. Supreme Court in the Dupont-General Motors Case. However, on appeal this was varied in that whilst a Corporation (Dupont) may hold shares in another Corporation (G.M.) it shall have no voting rights. This, we suggest, is not the solution as in such circumstances a large corporate shareholder would naturally exert strong moral suasion over the other.



URGENCY.

Action to control Monopoly effectively is extremely important today.

To counter inflation the community is asked to increase productivity (the rate of production increase) so as to keep down costs.

But when large sectors of the economy are dominated by monopolies which fix their own prices, productivity increases may be completely nullified.

It can be stated quite firmly that Monopoly is the biggest single cause of present inflationary trend in Australia.

Decentralisation is Possible

I have tried to show that by common consent of persons of widely different viewpoint, the preservation of human freedom depends upon decentralisation, economic, political, social and geographic.

I have tried to formulate a detailed set of practical measures through which the decentralist programme can be brought to fruition, if men and women really want freedom.

Fundamentally, under God it is a matter of human will, human ingenuity, human persistence.

It may be possible to decentralise the societies of western Europe, congested with population and with their economic life cast in the mould of factory traditions of two centuries. We in the cities of Australia may think that the same applies to this country, but we are mistaken. This country is not developed, all that exists is a fringed development along our coastline. In terms of what can ultimately be done to and with Australia, the inland is almost completely undeveloped.

And here the alternatives which face Australia as a result of the work of the Snowy Mountains Commission are symbolic of the whole future of this country.

Alternatives:

When this Commission ceases its work it will have given Australia, flowing in the Murray and the Murrumbidgee from new sources of irrigation, two million acre-feet of water annually; it will have given Australia roughly  $5\frac{1}{2}$  million hours of electricity annually - one and a half times all the electric power which we generate today - immense new sources of light and power which must give us inevitably great economic development in the primary and secondary field.

But along what line shall that development be?

It can be along two distinct lines. At the end of one lies more and more industrialisation; greater and greater capital cities; huge concentrations of economic power; the growth of class antagonism; and, finally, the threat of totalitarianism of the left or of the right.

If we choose the other road, that power can give us a decentralist economy of the type which I have depicted. The resources, I insist, are neutral. The choice will be a choice of human will, and whoever chooses will determine the future history of Australia.

\* \* \*

Cliff Remond  
Walter Power,  
Murray  
Snowy Mountains